

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (02/24):**

BUTTER: Grade AA closed at \$1.1575. The weekly average for Grade AA is \$1.1575 (-.0195).

CHEESE: Barrels closed at \$1.1050 and blocks at \$1.1275. The weekly average for barrels is \$1.1300 (-.0500) and blocks, \$1.1506 (-.0519).

BUTTER: The butter market remains weak as the cash price at the CME continues to decline. Some traders and handlers are now looking at the bulk support price of \$1.0500 and question whether the cash price will dip that low. Some contacts feel that after butter is placed for the Easter holiday, there is some chance that offers to CCC could be made. Butter stocks continue to increase from coast to coast. This week, CME butter stocks increased 7.8 million pounds to 85.5 million pounds which are 33 million pounds heavier than last year at this time. Cream volumes remain readily available to most butter churns. Churning activity is heavy with most butter operations at or very near capacity levels. Overall butter demand is fair at best. Some upcoming Easter/Passover orders are being placed, although much lighter than usual for this time period before the holiday. Traders and handlers feel that the weak market is the main factor limiting sales at this time. Holiday feature activity is still unclear, although the cash price is at a level that could potentially stimulate retail buyer interest. Food service orders are seasonally steady.

CHEESE: The cheese market remains weak. Some traders have calculated the extra cost associated with clearing cheese volumes to CCC compared to commercial sales. On February 24, the cash block price closed under the CCC purchase price of \$1.1314 per pound. Current demand is spotty, mostly fair at best. Some buyers are trying to build inventory while most others are just trying to keep volumes from accumulating further. Current offerings are ample to burdensome for needs. Cheese production remains seasonally heavy. Some plant milk intakes are already comparable to 2005 peak receipts.

FLUID MILK: Milk production is strong throughout the nation. Concern is mounting as to how excess milk production will be handled as the current flush of milk continues into the spring months. Class I demand is steady at best, encouraging handlers to clear excess milk into manufacturing facilities. Stagnant sales of sour cream, cottage cheese and dips, is deterring milk movement into Class II facilities. As a result, Class III and IV plants are operating near capacity to balance heavy milk volumes. Cream markets are weak and supplies are ample. Excess cream supplies are directed at churns that are reluctant to take in additional loads. Multiples are lower with some volumes trading below parity. With lower CME AA butter prices and increasing milk volumes, the fluid cream market is not anticipated to rebound any time soon.

DRY PRODUCTS: Dry dairy product markets are trending steady to weak with the exception of the lactose market which is firm. Stocks of NDM and buttermilk are building in response to heavy milk production and lackluster domestic and export sales. Lower prices may not spur enough demand to offset supply increases expected this spring. Speculation of weaker whey markets is omnipresent in the trade yet prices and stocks reported are not directly reflective of the undertone. Supplies of WPC 34% are readily available at lower prices for the limited interest. Competition for the U.S. WPC 34% market is noted from Canadian suppliers and producers of high protein substitutes.

Lactose demand is strong and supplies are tight. As a result, some producers are delaying contractual shipments with the hope of being in better balance by the end of first quarter.

CCC: During the week of February 20 - 24, there was no dairy price support activity.

COLD STORAGE (NASS): On January 31, U.S. cold storage holdings of butter totaled 114.6 million pounds, 95.4% more than a month ago, and 48.4% more than last year. Natural American cheese holdings totaled 526.2 million pounds, 2.0% less than a month ago but 8.7% higher than a year ago. Total cheese stocks were 743.7 million pounds, 1.9% lower than December 2005 but 4.2% higher than January 2005.

JANUARY MILK PRODUCTION (NASS): Milk production in the 23 major States during January totaled 14.0 billion pounds, up 5.4% from January 2005. December production, at 13.6 billion pounds, was up 4.1% from December 2004. Production per cow in the 23 major States averaged 1,711 pounds for January, 68 pounds above January 2005. The number of cows on farms in the 23 major States was 8.19 million head, 103,000 head more than January 2005, and 11,000 head more than December 2005.

DAIRY OUTLOOK (ERS): Although the January number of dairy replacement heifers was up almost 4% from last year and more than 6% from 2 years ago, strong demand has kept prices high. January's \$1,840 per head was more than \$200 above last year. Butter, cheese and NDM prices are decreasing. Production may outstrip demand growth, pushing 2006 prices below a year earlier. International markets are likely to play a pivotal role in dairy product price trends.

NOVEMBER MAILBOX MILK PRICES (DAIRY PROGRAMS): In November 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.09, \$0.33 less than the revised figure for the previous month. The component tests of producer milk in November 2005 were: butterfat, 3.80%; protein, 3.14%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except three, and ranged from \$18.36 in Florida to \$13.16 in New Mexico. In November 2004, the Federal milk order all-area average mailbox price was \$16.12, \$1.03 higher.

JANUARY MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During January about 10.3 billion pounds of milk were received from producers. This volume of milk is 1.5% higher than the January 2005 volume. In January 2006, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.9% higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilization percentages were; Class I = 38%, Class II = 11%, Class III = 38%, and Class IV = 13%. The weighted average statistical uniform price was the same as last month and \$1.35 lower than last year.

******SPECIALS THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY FEBRUARY 20	TUESDAY FEBRUARY 21	WEDNESDAY FEBRUARY 22	THURSDAY FEBRUARY 23	FRIDAY FEBRUARY 24	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	HOLIDAY	\$1.1450 (N.C.)	\$1.1450 (N.C.)	\$1.1250 (-.0200)	\$1.1050 (-.0200)	(-.0400)	\$1.1300 (-.0500)
40# BLOCKS	NO	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1450 (-.0200)	\$1.1275 (-.0175)	(-.0375)	\$1.1506 (-.0519)
BUTTER GRADE AA	TRADING	\$1.1575 (-.0125)	\$1.1575 (N.C.)	\$1.1575 (N.C.)	\$1.1575 (N.C.)	(-.0125)	\$1.1575 (-.0195)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, FEBRUARY 20, 2006

HOLIDAY, NO TRADING

TUESDAY, FEBRUARY 21, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1650

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.1575, 1 @ \$1.1600, 1 @ \$1.1675, 2 @ \$1.1700, 1 @ \$1.1800

WEDNESDAY, FEBRUARY 22, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1550; OFFERS UNCOVERED: NONE

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.1475, 2 @ \$1.1500, 1 @ \$1.1550, 1 @ \$1.1575; BIDS UNFILLED: 4 CARS GRADE AA @ \$1.1500; OFFERS UNCOVERED: NONE

THURSDAY, FEBRUARY 23, 2006

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1250; 2 CARS 40# BLOCKS: 1 @ \$1.1450, 1 @ \$1.1650

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

NONE

BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.1575, 1 @ \$1.1550; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1575; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 24, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.1050; 6 CARS 40# BLOCKS: 1 @ \$1.1400, 1 @ \$1.1375, 1 @ \$1.1325, 1 @ \$1.1300, 2 @ \$1.1275; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.1300, 1 @ \$1.1400, 1 @ \$1.1450

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.1575, 1 @ \$1.1550, 1 @ \$1.1575; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A occurred February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

BUTTER MARKETS

JANUARY COLD STORAGE

According to NASS, January month-ending cold storage figures for butter total 114.6 million pounds, 48.4% more than last January and 95.4% more than December 2005.

NORTHEAST

Butter markets remain weak. The price at the CME continues to decline, although holding steady at \$1.1700 since midweek last week. Butter stocks remain readily available as churning schedules are reported to be seasonally active. Cream volumes are sufficient to maintain steady churning schedules at most Eastern butter plants. Many butter producers feel that cream supplies will remain readily available to them during the upcoming spring flush even with increasing Class II demand. Cream availability has increased as Class I milk demand has eased following the heavier bottling schedules a week to 10 days ago. Overall butter demand is fair at best. Sales activity is occurring, although buyers are very cautious in placing orders during a weak market situation. Foodservice orders are steady, at best. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter market continues to decline to the present, midweek price of \$1.1575. Some traders and handlers are now looking at the support price of \$1.0500 and questioning if the cash price will dip that low. Basically, all associated with the butter market from producers to marketers, admit that the market is weak, but most feel that the cash price will not dip that low. The January milk production figure for the 23 major states indicated that output was 5.4% ahead of January 2005. This strong report and potentially future strong reports will only

give support to maintaining current market trends and prices. Churning schedules remain seasonally strong. Cream supplies are readily available from both local and out of area sources. As long as cream supplies remain competitively priced, most producers state that they will continue to absorb the offerings and inventory the unsold butter. Butter demand is fair at best. Some upcoming Easter/Passover orders are being placed, although much lighter than usual for this time period before the holiday. Traders and handlers feel that the weak market is the main factor limiting sales at this time. Holiday feature activity is still unclear, although cash prices are at a level that could potentially stimulate retail buyer interest. Food service orders are seasonally steady. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

The CME cash butter price is the lowest it has been since October 2003. The price at midweek stands at \$1.1575. The government support price for bulk butter is \$1.05. Some contacts feel that after butter is placed for the Easter holiday, there is some chance that offers to CCC could be made. Easter is late this year so that discussion is just starting at many operations. Butter churns are hoping that the low base prices might mean some good feature activity this year. Current retail sales are slow. Food service orders are flat. Production of butter is heavy for both bulk and print. Cream offerings to the churns remain heavy for February. The milk report that came out late last week indicating more than a 5% increase in milk production is also weighing down on the market. U.S. butter Cold Storage holdings at the end of January total 114.6 million pounds, up 48% from last year (37.4 million pounds). Stocks are nearly double last month, increasing 58.6 million pounds. CME butter stocks for the week ending February 18 total 85.5 million pounds, 7.8 million pounds heavier than the previous week and 33 million pounds heavier than this time last year. Prices for bulk butter range from 2 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
FEBRUARY 18	1,2497	1,2217	0.8708	1,2242	0.3563
	7,063,666	12,158,650	33,874,165	4,382,449	9,546,180

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are lower on all varieties except Swiss. Demand remains lackluster except for fill-in type purchases. Buyers are waiting for prices to reach their low before rebuilding working inventories. Surplus milk volumes available for cheese manufacturing are approaching spring flush levels. Expected declines in Class III prices should help improve plant operating returns. Cheese production remains seasonally active.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2850-1.8050
Cheddar Single Daisies	:	1.2425-1.7275
Cheddar 40# Block	:	1.3425-1.6150
Process 5# Loaf	:	1.3900-1.6300
Process 5# Sliced	:	1.4100-1.6375
Muenster	:	1.3575-1.5575
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market remains weak. Some traders have calculated what the additional costs are in selling cheese to CCC under the price support program compared to commercial sales. Current interest remains generally sluggish with many cutters/processors trying to delay receipt of committed bulk cheese volumes from producers. Best interest remains for shreds and natural slices over natural chunks and process. A few producers are also seeing improved movement of specialty products where buyers are building inventory. Offerings remain ample. Buyers expect to see no real tightness in supplies without large volume clearances to CCC and/or the C.W.T. export program. Demand for cheese for aging programs generally remains solid. Cheese production remains seasonally heavy. Milk volumes continue to increase seasonally while cheese yields drift lower. Many plants with variable milk receipts are operating near capacity levels. Financial stress on plant operators continues because the milk and production costs exceed the returns from cheese and whey sales.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4400-1.7900
Brick And/Or Muenster 5#	:	1.7475-1.8200
Cheddar 40# Block	:	1.5500-2.2650
Monterey Jack 10#	:	1.7900-2.2650
Blue 5#	:	2.0525-2.5000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3775-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
02/20/06	27,670	:	132,550
02/01/06	23,237	:	128,637
CHANGE	4,433	:	3,913
% CHANGE	19	:	3

WEST

Block cheese prices at the cash CME market are weak. They have fallen 29 1/2 cents since mid-December to stand at \$1.1650. The price has not been this low since June of 2003. The support price for blocks is \$1.1314 and some contacts believe that it will come into play soon. The milk report that came out last week indicated that the milk flow increase in January was greater than 5%. This is also putting downward pressure on the market. A few buyers are looking to push aging programs again as prices decline. Other buyers see no hurry in buying cheese in a weak market with heavy milk supplies available. U.S. holdings of American cheese at the end of January total 526.2 million pounds according to the Cold storage Report and a record for the end of January. This amount is up 9% or 42.0 million pounds from last year. Stocks are down 2% from a month ago, declining 10.7 million pounds. More offers of frozen mozzarella are coming out onto the market. Offers of under grade cheese are not quite as heavy, but buyers are not as interested in acquiring it at this time. It is taking some larger discounts to keep it moving. Swiss production is increasing seasonally.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3325-1.5900
Cheddar 40# Block	:	1.3200-1.6725
Cheddar 10# Cuts	:	1.5000-1.7200
Monterey Jack 10#	:	1.5100-1.6700
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged on imported and mostly lower on domestic varieties. Current supplies are at least adequate on imported and domestic varieties. Current prices are conducive for domestic cheese sellers/dealers to rebuild their aged inventory, particularly for hard Italian varieties.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.5975-3.0875*
Gorgonzola	: 3.6900-5.9400	: 2.1075-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0125-3.1175*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.5975-1.8350*
Romano (Cows Milk)	: -0-	: 2.7950-4.9375*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	96	0	96	0	179
SOUTHEAST STATES	0	0	0	0	0	0

Milk production in the Eastern part of the country continues to increase seasonally, although in some areas, adverse weather conditions are slowing growth. In Florida, milk output is building slowly and surplus milk continues to move out of state for processing. Sales have slowed somewhat as the transition from winter residents returning to the north and spring break vacationers begins. Further north, production is reported to be increasing seasonally, although adverse weather patterns are sometimes causing increases to plateau. Milk handlers state that the plateaus and even slight dips will be quickly remedied and increases will continue. The disruption in the market caused by the large snow storm of last week has basically been cleaned up. Bottling schedules and milk logistics are back in line with pre-storm schedules. This week, ice, snow, and cold temperatures in Arkansas and Tennessee are causing problems for producers and handlers. Overall, milk handlers state that milk volumes are heavy. Many look at the calendar and state that if we are at this level already, what will we do during the flush. Many manufacturing plants continue to operate at above anticipated levels for this time of the season. January milk production in the 23 major states totaled 14.0 billion pounds, up 5.4% from January 2005. The following are the January - January changes for selected states: Pennsylvania +5.8%, New York +4.0%, Virginia unchanged, Vermont +1.3%, Kentucky -2.5%, and Florida -3.3%. Prices for wet solids are unchanged. Cream markets remain weak as milk volumes increase and demand is slow to clear all available cream volumes. Cream handlers and suppliers indicate that Class II demand is slowly increasing, but not fast enough to absorb all of the offerings. Cream offerings were in better balance last week, but this week, conditions are back to where they were prior to the snowstorm and surplus is clearing to butter producers in the Central part of the country. Pricing multiples are basically holding steady, but the overall price is lower as the weekly butter average at the CME continues to decline.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2476-1.4124
DELIVERED EQUIVALENT ATLANTA	-	1.2829-1.4712 M 1.3418-1.4242
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.2733-1.4949

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:

NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	-	1.0500-1.1200

M I D W E S T

Class I interest remains steady at best, generally at light retail levels except where featured. Production of cottage cheese, sour cream and dips are also flat. The big issues on many industry minds are how to handle all the milk (plant capacity), how low milk prices will go, and how/when will producers react to low prices? More plant field staff have cut back on recruitment in favor of milk quality and other issues. Many managers are concerned with having adequate capacity with just their current producers. Some operators have noted that their total plant milk intakes are already higher than their peak level last year. Ice cream production is steady to higher where producers are trying to build their pre-season inventory. Cream supplies remain seasonally heavy though volumes are not as burdensome as a few weeks ago. Churning remains active though lighter. Milk intakes range from steady to higher. Manufacturing milk interest remains light, as buyers are reluctant to make more just to build inventory. Reported spot manufacturing milk prices, on a light test, range from -\$0.75 to around flat class, fob. Impacting milk demand is the expectation that the February Class III milk price will again exceed the returns from cheese and whey sales. Fat and protein levels continue to decline. Heavy snow blanketed some parts of the upper tier of states while others seemed to be missed. Weekend temperatures were also the lowest in a few years in some locations.

Annual 2005 average milk output per cow in selected Midwestern states compared to 2004 are: Wisconsin, 18,500 pounds, up 704 pounds (4.0%); Minnesota, 18,091 pounds, up 592 pounds (3.4%); Michigan, 21,656, up 765 pounds (3.7%); Texas, 20,131 pounds, up 1,294 (6.9%); and Iowa, 20,722 pounds, an increase of 769 pounds (3.9%). For these states, average number of dairy cows in 2005 was above 2004 in Michigan, Texas, and Iowa.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 58.00	\$ 51.00- 57.00
REPLACEMENT HEIFER CALVES	\$450.00-700.00	\$250.00-600.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	FEB 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 60.00	\$ 52.00- 58.00

W E S T

Milk production in January, according to NASS, for the 23 surveyed states increased 5.4% from a year ago. Cow numbers have begun to grow more rapidly now that the CWT impact is past. Cow numbers have increased 12,000 and 11,000 head for the past two months. Daily average output per cow is also very strong, increasing 4.1%. January output for selected Western states compared to last year is as follows: Arizona +4.3%, California +5.1%, Colorado +6.5%, Idaho +10.3%, New Mexico +15.8% Oregon -2.7%, and Washington n/c. Cow numbers in these seven states grew 101,000 head from last year. Revised output for the U.S. in 2005 indicates output was 177.0 billion pounds, up 3.5% from 2004. This works out to an average weekly production increase of 116 million pounds. Conditions are cooler in the Central Valley in CALIFORNIA this week. Some frost at night is common. Milk production remains heavy and is expected to continue that way. A number of contacts are discussing what will happen to milk this spring during the flush season. Some scenarios that are being mentioned are not going to return much money to producers. Some first cutting hay is just beginning to become available from the Imperial Valley region. Prices are firm with early estimates noted \$150-160 FOB. This will deliver into the Valley at over \$200. Demand is expected to be good for early hay supplies, but contacts are wondering how much of an impact future, lower milk prices will have on transactions later in the year. Some California contacts are stating that they have not seen the CREAM market in this bad shape, in many years. Offerings are very heavy and buyers are few and far between. Most cream offers are ending up in the churn, but butter manufacturers are less willing to buy cream to make butter that they will have to store. Print sales are flat at best and bulk sales are slow. There is virtually no discussion at this point about butter moving into the Easter trade. The butter price at the cash CME market fell another 1 1/4 cents this week to stand at \$1.1575. Cream multiples noted this week range from 97-118, FOB and vary depending on class usage and basing point. Slightly cooler temperatures are common in ARIZONA. This is more concern to people than cows. Conditions remain dry with no relief in sight. Milk production is strong and the flush of milk is early. NEW MEXICO milk production is very strong now that production per cow has rebounded. Putting this increase on more cows means lots more milk. Indications are that milk is being offered for sale for the next few months to out of state buyers. This may be more of a function of weak end product sales than lack of plant capacity. Rainfall continues to be an issue for coastal areas of WASHINGTON and OREGON. On the east side, snow and cool temperatures are the rule. Not too much additional stress is noted for dairy herds in the region, but there is not a lot of recovery either. Milk output seems to be variable with reports both higher and lower noted. Demand for heifers in the region seems to be lighter as milk prices are poised to move lower into the spring, heavy production season. Hay offerings are light and prices steady. Cold temperatures and snow cover in the dairy areas of UTAH are common. Fat and protein tests have moved slightly lower. Milk output seems to be on the upswing. Hay movement is slow due to the snow and muddy conditions noted under the snow cover. Conditions are more moderate in southern IDAHO. There is really no snow cover and temperatures are much milder. Milk production is increasing seasonally. Little hay is left available for sale in the region. Heifer prices are beginning to decline as offers increase and lower future milk prices have buyers proceeding much more cautiously.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are lower on a weak market. Production remains strong due to a constant flow of milk into traditional and seasonally operated dryers. Demand remains light as most buyers continue to wait and see where the market settles before making additional purchases. Some brokers are able to buy multiple loads from producers at a discount to the market. Resellers are not willing to pick-up additional loads from producers without having a trade in place a priori. Cheese interest in NDM is reduced, encouraging increased supply availability of low heat NDM. High heat trade remains contractual and produced only as needed.

EAST: Prices continue to decline. Discounted prices continue to be reported as producers try to stimulate buyer interest. Domestic sales, especially for low/medium heat powder, are lighter as buyers wait for better prices. Export sales are not as aggressive as many producers and handlers had anticipated, thus stocks are building in many sectors of the market. Conversations continue to circulate that surplus powder may be offered to CCC to clear some of the building inventory. Producers and handlers state that milk supplies are heavy and voice their concern about processing the milk volumes in the coming months when the spring flush is at hand. Already, most dryers are at or very near capacity levels.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8550 - .9600 MOSTLY: .8550 - .9400
 HIGH HEAT: .9475 - 1.0500

NONFAT DRY MILK - WEST

Prices are mixed for low/medium heat Western powder. Some are holding steady and others are declining. The market undertone continues to be weak. Production levels are heavier than sales are able to absorb at this time. Export shipments are not as large as occurred at the end of 2005. Contacts speculate that prices in the low 80's may stimulate some additional export activity, but they do not think that shipments will be large enough to handle the upcoming heavy production season. Some producers are putting up powder in bags that have more than one outlet even though it costs a bit more. The goal is to maintain some flexibility in the market. Dryers are running heavy to process the amount of condensed skim that is available. They only see this getting heavier over the next couple of months. Demand for high heat powder is very light and unaggressive. Powder is on the floor with no home in mind.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8200 - .9200 MOSTLY: .8400 - .8800
 HIGH HEAT: .9000 - .9600

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 17	\$.8673	19,205,183	0
February 10	\$.8339	9,637,264	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged on a weak market. Offerings are noted slightly below the range for individual spot trade whereas block load offers are noted at about a dime below the average. Demand for buttermilk is very light into either domestic or export markets. Production is strong. With a flush of milk anticipated from now until spring, buttermilk stocks are anticipated to grow. Condensed buttermilk demand is fair at best.

F.O.B. CENTRAL: .8200 - .8900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Eastern and Southern prices are lower to sharply lower on a weak market. Northeastern prices remain nominal. Demand is lackluster at best with buyers looking for the best price. Eastern producers and handlers are discounting their offerings to try to encourage buyer interest and remain competitive with Central and Western offerings. Churning schedules remain very active which is providing more buttermilk to dry or sell as liquid. Stocks of buttermilk powder continue to grow at most plants.

F.O.B. NORTHEAST: .8125 - .8800
 DELVDSOUTHEAST: .8525 - .8825

DRY BUTTERMILK - WEST

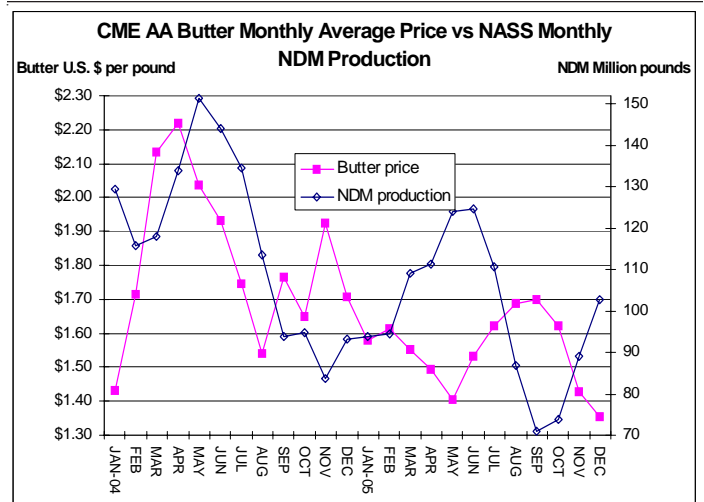
The Western buttermilk powder market continues to be weak. Demand is not able to clear current offerings. Sellers are looking to move large blocks of powder. They are looking at trying to export some additional powder, but have not been successful at this time. Stocks are generally heavy at the producer level with outside warehouses being used for storage. Demand is unaggressive and may remain that way as long as heavy stocks are available. Production is heavy related to the heavy offerings of cream to the churns.

F.O.B. WEST: .7900 - .8400 MOSTLY: .8000 - .8200

DRY WHOLE MILK - NATIONAL

Prices are unchanged and nominal. Production levels remain light to moderate and generally geared to filling orders. Demand is steady and mostly contractual. For the most part, plant inventories are in balance with needs.

F.O.B. PRODUCING PLANT: 1.3050 - 1.3200



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are unchanged to lower on a cautiously steady market. Some plants are reporting that supplies are beginning to back-up as some buyers are opting to delay pick-up. Other plants report that stocks are in balance. Premium pricing and energy surcharges are dissipating from the trade in light of increased buyer resistance at the current price level. Feed whey supplies are limited for the good interest. Production is steady in response to constant flows of milk into Class III facilities. Offerings of condensed whey in the trade are heavy for the light interest.

F.O.B. CENTRAL: .3350 - .3750 MOSTLY: .3425 - .3575
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3150 - .3425

DRY WHEY - NORTHEAST AND SOUTHEAST

Whey powder prices are steady to slightly lower on an unsettled market. Producers and handlers state that the firm trend of recent weeks is definitely losing its momentum. Stocks range from light at producers' plants to building at the trader level. Some traders are offering discounts on multiple loads to encourage sales before prices decline. Buying interest is lighter as buyers purchase for immediate needs. Also, they are aware of the weak market tone and are waiting for better or more stable pricing.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3550 - .3750
DELVD SOUTHEAST: .3725 - .4100

DRY WHEY - WEST

The Western mostly price series is holding steady while the price range is mixed with movement higher and lower noted. Most contacts are calling the market steady with perhaps a softer undertone developing. Production of whey is increasing at some locations. Some of this "new" whey on the market has to be aggressively marketed to find a home. Other plants are in very good shape and are having a hard time keeping pace with orders. Stocks at most locations are in a balanced to tight position.

NONHYGROSCOPIC: .3250 - .3800 MOSTLY: .3400 - .3600

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Supplies are mixed. While some plants report that they are in a balanced position, others indicate that loads are readily available at steady to lower prices. Offerings of Canadian WPC 34% into the U.S. continue to be reported at competitive prices. Some U.S. plants are attempting to make flat priced offers into second quarter. WPC 80% remains available as a competitive substitute to WPC 34% for users that can obtain diluents such as whey, dry permeate or lactose. Limited supply and high prices of diluents often deters interest in WPC 80% as a substitute to WPC 34%. Demand for Grade A and heat stable WPC 34% remains strong. Production is mostly steady with offerings of condensed WPC 34% noted in the trade. Off grade supplies of WPC 34% and high protein WPC are available for the light to fair feed interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6950 - .7550 MOSTLY: .7250 - .7450

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Supplies remain tight. Some producers are delaying shipment due to supply constraints with the hope of being in better balance by the end of first quarter. Inquiries are noted from Mexico, India, China and the Ukraine. Most trade is occurring within the mostly price range on contracts. Plants report that if spot loads were available, they would sell at significant premiums. Some off grade supplies are available and trading at or above the market average. Production is steady in response to constant flows of milk into Class III manufacturing facilities.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2800 MOSTLY: .2300 - .2550

CASEIN – NATIONAL

Casein markets and prices are basically holding steady. Acid offerings are in close balance, but less available than rennet volumes. At the present time, suppliers state that they have sufficient volumes to maintain scheduled shipments. Oceania's production is on the downside of the season. Volumes appear to not be at desired levels, although sufficient at this time. In Europe, milk production continues to increase, but milk volumes clearing to casein output are questionable. Most producers will be closely monitoring their casein production during the upcoming season with some scheduled to not even gearing up their operations. All offers to purchase government owned nonfat dry milk under invitation #048 for the production of casein or caseinate were rejected due to price.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

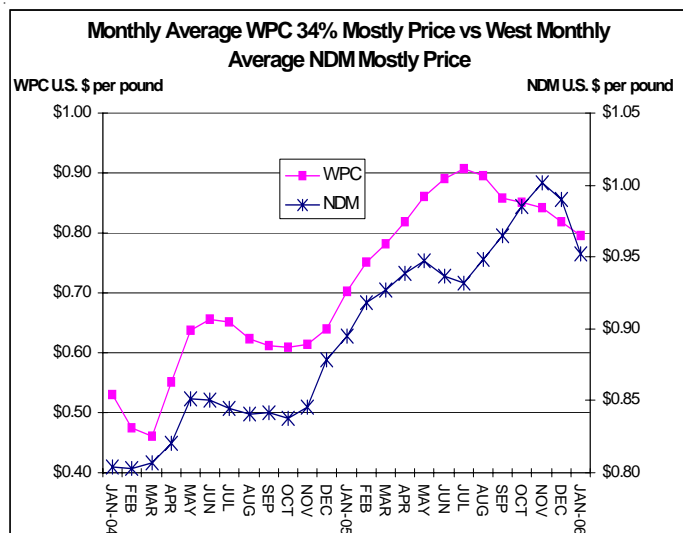
RENNET: 3.1500 - 3.2700
ACID: 3.0800 - 3.2700

EVAPORATED MILK – NATIONAL

Prices and the market tone are unchanged. Demand is seasonally slow to fair. Production levels are fairly steady as producers have moderate to heavy volumes of surplus milk available to them.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.



MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	DEC 31, 2003	DEC 31, 2004	REVISED DEC 31, 2005	JAN 31, 2004	JAN 31, 2005	JAN 31, 2006
Butter	99,613	44,988	58,649	152,448	77,219	114,597
Cheese, Natural American	491,419	481,077	536,905	518,113	484,227	526,188
Cheese, Swiss	26,237	25,956	26,039	25,244	26,010	27,141
Cheese, Other Natural	206,730	198,757	195,216	213,575	203,562	190,408
Total Cheese	724,386	705,790	758,160	708,811	713,799	743,737

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

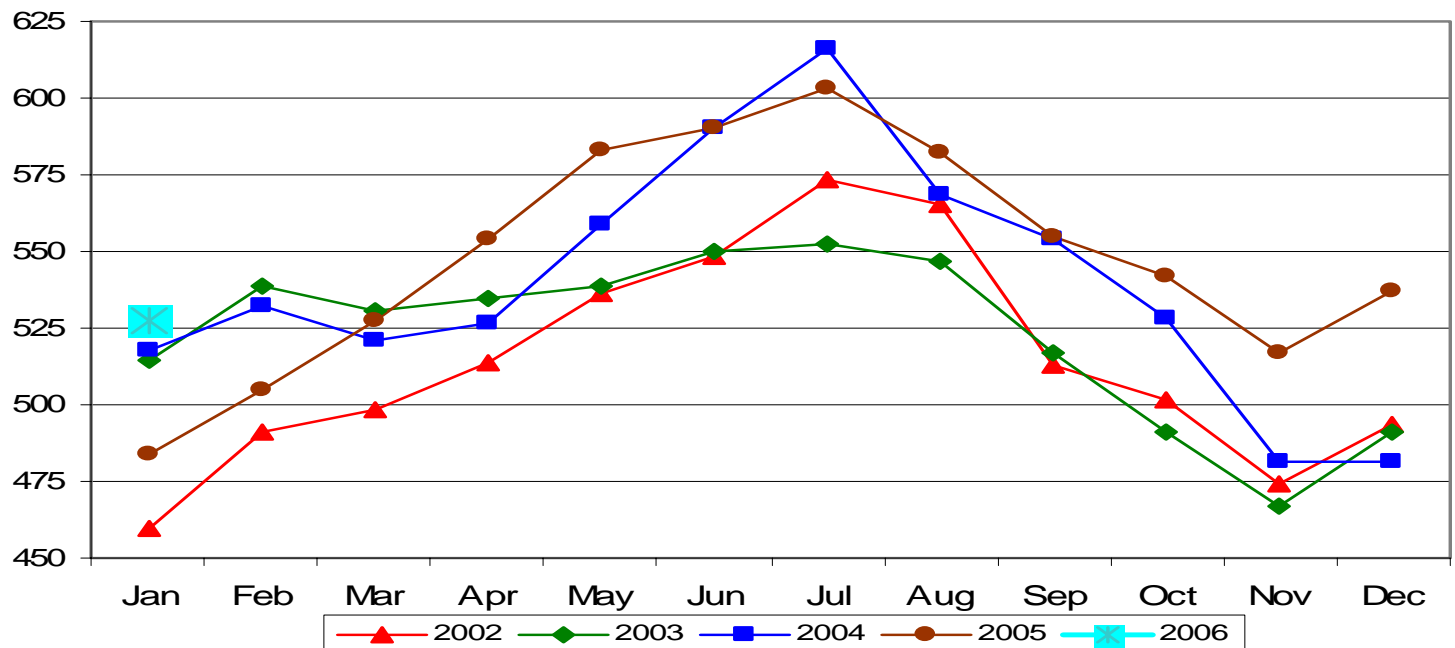
Butter	6,172	118	116	1,258	108	113
Natural American Cheese	9,614	5,053	207	9,616	3,738	269

JANUARY STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
New England	22,176	23,649	34,077	---	---	---	322	396	33
Middle Atlantic	49,684	48,969	49,088	---	---	---	15,247	10,181	10,113
East North Central	198,290	187,528	198,275	---	---	---	123,847	120,381	115,218
West North Central	121,471	108,309	116,025	---	---	---	53,707	53,771	48,685
South Atlantic	4,943	4,824	3,988	---	---	---	1,881	102	103
East South Central	225	171	316	---	---	---	2,274	2,257	2,437
West South Central	1,785	1,184	1,601	---	---	---	65	162	548
Mountain	22,038	29,866	34,646	---	---	---	4,260	6,274	556
Pacific	97,501	79,727	88,172	---	---	---	11,972	10,038	12,715
TOTAL	518,113	484,227	526,188	152,448	77,219	114,597	213,575	203,562	190,408

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS AMERICAN CHEESE COLD STORAGE



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2005 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Million Pounds						Million Pounds						Million Pounds					
January	114	77	114	77	<u>3/</u>	<u>3/</u>	526	484	526	480	<u>3/</u>	4	NA	440	NA	83	NA	357
February		111		111		<u>3/</u>		505		502		3		374		79		296
March		132		132		<u>3/</u>		527		526		2		321		84		236
April		165		164		<u>3/</u>		554		552		2		276		108		168
May		178		178		<u>3/</u>		583		582		1		259		113		147
June		180		179		<u>3/</u>		590		590		<u>3/</u>		NA		116		NA
July		177		177		<u>3/</u>		603		603		1		235		120		116
August		149		149		<u>3/</u>		582		581		1		177		110		67
September		124		124		<u>3/</u>		555		554		1		182		95		87
October		98		98		<u>3/</u>		542		541		1		163		89		74
November		60		60		<u>3/</u>		517		516		1		159		89		70
December		59		59		<u>3/</u>		537		537		<u>3/</u>		183		114		69

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Dec 31, 2003	Dec 31, 2004	Dec 31, 2005	Jan 31, 2004	Jan 31, 2005	Jan 31, 2006
	Thousand Pounds					
Butter	93,441	44,870	58,533	151,190	77,111	114,484
Natural American Cheese	481,805	476,024	536,698	508,497	480,489	525,919

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

SOURCE: "Cold Storage," Co St 1 (2-06) and "Dairy Products," Da 2-6 (2-06), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

FEDERAL MILK ORDER ADVANCE PRICES, MARCH

Class I Base Price. Under the Federal milk order pricing system, the Class I base price for March 2006 is \$12.49 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.95 and the advanced butterfat pricing factor of \$1.3768. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Comparison to Previous Month.** Compared to February 2006, the Class I base price decreased \$0.89 per cwt. For selected consumer products, the price changes are: whole milk (3.25% milk fat), - \$0.86 per cwt., - \$.074 per gallon; reduced fat milk (2%), - \$0.75 per cwt., - \$0.065 per gallon; fat-free (skim milk), - \$.061 per cwt., - \$.053 per gallon. **Class II Price Information.** The advanced Class IV skim milk pricing factor is \$6.82. Thus, the Class II skim milk price for March is \$7.52 per cwt., and the Class II nonfat solids price is \$0.8356. **Product Price Averages.** The two-week product price averages for March are: butter \$1.2623, nonfat dry milk \$0.9053, cheese \$1.2923, and dry whey \$0.3532.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/</u> <u>2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	March 2006		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		<u>\$ per cwt.</u>	<u>\$ per cwt.</u>	<u>\$ per pound</u>
Northeast (Boston) <u>4/</u>	001	15.74	11.20	1.4093
Appalachian (Charlotte) <u>5/</u>	005	15.59	11.05	1.4078
Southeast (Atlanta) <u>6/</u>	007	15.59	11.05	1.4078
Florida (Tampa) <u>7/</u>	006	16.49	11.95	1.4168
Mideast (Cleveland) <u>8/</u>	033	14.49	9.95	1.3968
Upper Midwest (Chicago) <u>9/</u>	030	14.29	9.75	1.3948
Central (Kansas City) <u>10/</u>	032	14.49	9.95	1.3968
Southwest (Dallas) <u>11/</u>	126	15.49	10.95	1.4068
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	14.84	10.30	1.4003
Pacific Northwest (Seattle) <u>13/</u>	124	14.39	9.85	1.3958
All-Market Average		15.14	10.60	1.4033

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

JANAURY MILK PRODUCTION

Milk production in the 23 major States during January totaled 14.0 billion pounds, up 5.4 percent from January 2005. December production, at 13.6 billion pounds, was up 4.1 percent from December 2004.

Production per cow in the 23 major States averaged 1,711 pounds for January, 68 pounds above January 2005.

The number of cows on farms in the 23 major States was 8.19 million head, 103,000 head more than January 2005, and 11,000 head more than December 2005.

JANUARY 2006 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2005	2006	2005	2006	2005	2006	% CHANGE FROM 2005
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	165	165	1,975	2,060	326	340	4.3
CA	1,739	1,772	1,770	1,825	3,078	3,234	5.1
CO	100	105	1,860	1,885	186	198	6.5
FL	138	134	1,520	1,515	210	203	-3.3
ID	436	473	1,830	1,860	798	880	10.3
IL	105	104	1,620	1,630	170	170	---
IN	155	161	1,640	1,720	254	277	9.1
IA	190	200	1,750	1,765	333	353	6.0
KS	109	111	1,730	1,780	189	198	4.8
KY	110	101	1,090	1,160	120	117	-2.5
MI	306	313	1,785	1,875	546	587	7.5
MN	460	445	1,510	1,605	695	714	2.7
MO	118	114	1,330	1,440	157	164	4.5
NM	319	342	1,710	1,845	545	631	15.8
NY	650	651	1,535	1,595	998	1,038	4.0
OH	267	273	1,460	1,460	390	399	2.3
OR	120	121	1,570	1,510	188	183	-2.7
PA	564	557	1,540	1,650	869	919	5.8
TX	318	325	1,655	1,845	526	600	14.1
VT	143	143	1,560	1,580	223	226	1.3
VA	105	103	1,465	1,495	154	154	---
WA	235	237	1,960	1,945	461	461	---
WI	1,235	1,240	1,515	1,585	1,871	1,965	5.0
23 STATE TOTAL	8,087	8,190	1,643	1,711	13,287	14,011	5.4

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (2-06), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY OUTLOOK

Dairy Heifer Supplies Up - The January 1 milk cow inventory report showed almost 4.3 million dairy replacement heifers, up almost 4 percent from a year earlier and more than 6 percent from 2 years earlier. The larger-than-expected rise was triggered by the very high milk cow replacement prices of 2004 that encouraged extraordinary measures to keep as many heifers on farms as possible. Even so, the increase may have been aided by particularly low milk cow death losses in 2004. The ratio of replacement heifers to milk cows exceeded 47 on January 1, up from less than 46 a year earlier and easily a record.

Almost 2.9 million heifers are expected to calve and enter the milking herd in 2006, up almost 3 percent from a year earlier. These extra heifers should significantly ease tightness in replacement heifer supplies, allowing for the belated replacement of some marginal cows as well as making it easier to fill new barns. Milk cow numbers in 2006 are now expected to increase slightly faster than thought earlier.

Despite the large heifer supplies, strong demand has kept milk cow replacement prices high. January's \$1,840 per head was more than \$200 above a year earlier, and the seasonal decline from last October's record was modest. Some easing of heifer prices is possible this year, but demand for animals to fill new or expanded facilities is projected to stay strong throughout 2006.

Wholesale Prices Slip - Wholesale butter and cheese prices seem caught in the winter doldrums, drifting lower since early January. Increases in milk production remain strong, autumn seasonal declines in commercial stocks were less than expected, but the greatest pressure probably has come from market expectations for the rest of 2006. Traders seem to anticipate large production increases and uncertain demand, making buyers reluctant to seek commitments for later in the year. In addition, this year's date of Easter means holiday buying will be about a month later than in 2005.

Production increases probably will outstrip demand growth, pushing 2006 prices below a year earlier. But, drops in early February cheese prices of 20 cents from a year earlier and almost 40 cents in butter prices might prove to be too large. Slight recovery may occur if production growth slackens as expected and demand stays firm. Even so, prices are not likely to develop very clear patterns until second-half prospects become more settled.

Nonfat dry milk prices also have softened since the end of December. Production has risen seasonally and also (reportedly) from a year earlier. The heavier supplies have encouraged buyers to minimize purchases in hopes of lower prices. Apparently, sluggish buying applies to both domestic and foreign customers. Even so, international powder markets remain tight. Except for the United States, export supplies remain limited, although quantities are seasonally large in Oceania. Meanwhile, import demand for milk powders has stayed basically strong. Unless international prices slip more than expected, nonfat dry milk prices probably will recover somewhat when buyers start to deplete their stocks.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-140, February 15, 2006, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, NOVEMBER 2005

In November 2005, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$15.09 per cwt., \$.33 less than the revised figure for the previous month. The component tests of producer milk in November 2005 were: butterfat, 3.80%; protein, 3.14%; and other solids, 5.70%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except three, and ranged from \$18.36 in Florida to \$13.16 in New Mexico. In November 2004, the Federal milk order all-area average mailbox price was \$16.12, \$1.03 higher.

Note: Beginning with this report, four new reporting areas are presented. These are located in the Northeast. In order to maintain comparability with previously reported information, these new areas are not included in the “All Areas” averages.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	November 2004	October 2005	November 2005
	Dollars per hundredweight		
Northeast Federal Milk Order	16.55	15.84*	15.64
New England States	---	16.12	15.80
New York	---	15.66	15.36
Eastern Pennsylvania	---	16.11	15.81
Western Pennsylvania	---	15.95	15.53
Appalachian States <u>3/</u>	16.06	15.61	15.64
Southeast States <u>4/</u>	16.68	16.61	16.67
Southern Missouri <u>5/</u>	15.57	15.30	15.18
Florida	18.17	18.02	18.36
Ohio	16.16	15.54	15.23
Indiana	16.20	15.36	15.17
Michigan	15.92	15.44	15.12
Wisconsin	16.65	15.77	15.25
Minnesota	16.47	15.46	14.93
Iowa	16.19	15.59	15.21
Illinois	16.41	15.80	15.32
Corn Belt States <u>6/</u>	14.93	14.49	13.98
Western Texas <u>7/</u>	15.14	14.47	13.98
New Mexico	14.24	13.63	13.16
Northwest States <u>8/</u>	15.09	14.51	14.17
All Federal Order Areas <u>9/</u>	16.12	15.42*	15.09
California <u>10/</u>	15.23	14.10	13.42

* Figure has been revised.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in “California Dairy Information Bulletin.”

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JANUARY

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During January about 10.3 billion pounds of milk were received from producers. This volume of milk is 1.5 percent higher than the January 2005 volume. In January 2006, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.9 billion pounds of producer milk were used in Class I products, 0.9 percent higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilization percentages were; Class I = 38%, Class II = 11%, Class III = 38%, and Class IV = 13%. The weighted average statistical uniform price was the same as last month and \$1.35 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JANUARY 2006										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,986.3	-0.7	863.9	-2.1	45	18	22	15	14.78
Appalachian (Charlotte)	005	520.5	-7.0	361.3	-2.2	70	15	4	11	15.52
Southeast (Atlanta)	007	773.2	17.9	417.6	3.0	54	11	21	14	15.14
Florida (Tampa)	006	278.6	3.2	238.0	4.1	85	7	1	7	16.71
Midwest (Cleveland)	033	1,512.3	-3.0	573.0	3.7	38	15	40	7	13.95
Upper Midwest (Chicago)	030 <u>3/</u>	2,216.9	-1.0	380.9	0.0	17	6	74	3	13.66
Central (Kansas City)	032 <u>3/</u>	1,245.3	-0.4	387.0	2.9	31	11	46	12	13.75
Southwest (Dallas)	126	900.4	12.9	366.8	3.8	41	11	26	22	14.50
Arizona-Las Vegas (Phoenix)	131	268.6	6.7	85.4	2.3	32	8	30	30	13.76
Pacific Northwest (Seattle)	124	626.7	6.4	186.5	-2.4	30	5	27	38	13.44
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	10,328.9	1.5	3,890.3	0.9	38	11	38	13	14.28

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantage relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 90 million pounds of milk that normally would have been associated with the markets. In January 2005, there was no milk not pooled due to disadvantageous price relationships. After adjusting for not-pooled milk, the year to year percent change is +2.4.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 20 - 24, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 02/17/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 20 - 24, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - FEB. 24, 2006 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 02/04/06 & Comparable Week 2005

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2006-Dairy	N.A.	0.6	6.2	2.6	14.9	2.8	0.5	N.A.	14.4	1.5	44.7	267.4
2005-Dairy	N.A.	0.8	6.6	2.9	15.9	3.9	0.8	N.A.	13.9	3.3	49.1	301.1
2006-All cows	N.A.	0.6	7.7	10.9	29.4	14.2	12.3	N.A.	16.1	2.1	96.1	584.1
2005-All cows	N.A.	0.8	8.1	11.4	31.6	10.5	12.7	N.A.	15.0	5.5	98.9	608.8

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49									
II	13.25											
III	13.39											
IV	12.20											

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoss/mib/cls_prod_cmp_pr.htm